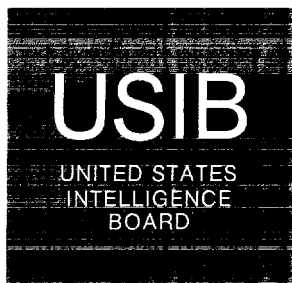


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ISRAEL

The return to the cabinet yesterday of the National Religious Party--after an absence of nearly five months--and the resulting shuffle of the coalition will broaden Prime Minister Rabin's parliamentary base but will also strengthen conservative influence in the government.

These developments could complicate Rabin's efforts to adopt a flexible negotiating position in peace talks with the Arabs. The Religious Party is strongly opposed to returning the Israeli-occupied West Bank, with its numerous Jewish religious sites, to Arab control.

Rabin insisted that the coalition agreement with the Religious Party--essentially the same as the one worked out by Mrs. Meir's government--will not restrict his ability to negotiate with the Arabs. He told an interviewer last week that the Religious Party, as a member of the coalition, would not support any efforts to oust the government over the issue of peace negotiations themselves. The party will be free, however, to vote against any specific agreement presented to the Knesset for approval.

Last week, Rabin reiterated that the government would agree to hold national elections before it signed any agreement involving Israeli territorial concessions on the West Bank if one of the coalition partners asked for elections. The Religious Party is on record as supporting such a call.

The new coalition gives the government a more comfortable majority of eight votes in the 120-member Knesset, in spite of the withdrawal from the cabinet of the small Citizens Rights Movement. The government can probably still count on the Citizens Rights Movement and the more leftist parties in the Knesset to support Rabin on Middle East peace issues.

No major cabinet changes occurred as a result of the Religious Party's return. The party regained the three ministerial portfolios--interior, religious affairs, and social welfare--it has traditionally held, and filled them with the men who previously held them. Rabin had kept these posts open as an inducement for the party to rejoin the government.

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VIETNAM

Communist cadre are beginning to receive instructions on the party's strategy in South Vietnam during 1975.

Although there has been some discussion of a big offensive during the year, the most reliable source so far indicates that the party plans to continue the mix of political and military action at a level similar to that of 1974. This is the message contained in an enemy document captured recently in the delta. Claiming to be a "resolution" for next year's strategy, the document reaffirmed the policy outlined earlier this year in a similar "resolution." That document directed Communist forces in the south to try to undermine Saigon's authority with political and military action, but not to intensify the fighting to a level that would jeopardize the cease-fire agreement.

The new document was issued in late August following a COSVN-level conference to review the progress of the "anti-pacification" campaign since the first of the year. Another conference will be held in about a year to review the current campaign.

Communist forces are credited with succeeding "beyond expectation" in expanding their holdings in the countryside, but COSVN concedes that the government still holds the upper hand. The document shows that the southern Communist command still regards Viet Cong political forces as the weak link in the revolution and admits that the Communists must rely almost solely on military action and intimidation to reach the people. The lack of initiative among leadership elements at the local level is cited as one of the principal problems.

As with other guidance of this kind since the first of the year, COSVN demands that greater attention be focused on strengthening political and military forces in the countryside. The document outlines a detailed program for recruiting more people and indicates that overall improvement must be made in these local units without help from outside the COSVN area.

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Other recent information suggests the Communists plan a higher level of fighting in the COSVN area than is outlined in the new document. [REDACTED]

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[REDACTED] claims that there will be a two-phase "major offensive" in 1975 to control the countryside and occupy cities, while [REDACTED]

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[REDACTED] maintains that a "nationwide general offensive" will be conducted in January 1975.

Both claims, however, were predicated on a "massive" political upheaval in the South and smack more of a morale-boosting campaign among the troops than a real reflection of intentions. Even without the rhetoric, however, both seem to be saying that the Communists will continue to maintain fairly intense military pressure in the coming months in hopes of complicating the government's political and economic problems further. This strategy is in line with guidelines in the delta document and the other policy statements from both COSVN and Hanoi since the first of the year. [REDACTED]

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NORTH VIETNAM

A highly unusual editorial in North Vietnam's theoretical journal Hoc Tap suggests there is widespread dissatisfaction with current party policy.

The article, published in September, stated that a "current of evil thoughts" is being conveyed from mouth to mouth and has been reflected in the press, literature, and the arts, indicating that this "nonrevolutionary, non-socialist" ideology has gained widespread acceptance.

There have been several references in the media over the past several months to problems relating to the motivation of workers and peasants. There have also been low-level reports that the continued diversion of men and materiel to the south, despite the claimed "victory" of the cease-fire agreement and the new emphasis on reconstruction, has contributed to this discontent. Government efforts to root out private enterprise have also added to the disruption, because the state distribution system is not able to do the job alone.

The appearance of the strongly worded article suggests that Hanoi may also be encountering resistance on these basic issues at high levels of the government and party. The author denounced those cadre and people who "would deny the necessity to resort to revolutionary warfare to liberate the nation." On the domestic front the editorial comes down hard on those who "oppose socialist reform" of the economy.

As yet there have been no indications of any move to purge the party ranks or of any public crackdown on dissent. It is quite likely that the Hoc Tap article is intended as a warning, especially to party cadre, that "erroneous thoughts" will no longer be tolerated.

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JAPAN

The Tokyo press is giving prominence to reports that Prime Minister Tanaka may be forced to resign in late November, soon after President Ford's visit to Japan. This speculation appears to be a mixture of the hopes of Tanaka's opponents in the ruling Liberal Democratic Party and rumors touched off by an unusual round of visits by Tanaka to party elders late last week. Tanaka's aides have denied the possibility of a resignation.

It is true, nonetheless, that Tanaka's political stock, which has been on the decline since early summer, has fallen further in recent weeks. This is largely a result of magazine charges of irregular and highly profitable dealings by the Prime Minister in government real estate.

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Tanaka's current visit to New Zealand, Australia, and Burma (he left Tokyo on October 28) gives him a respite from the political storm at home. When he returns to Tokyo on November 8 he will have to grapple with the problem of rallying Liberal Democratic support to defeat an anticipated motion of no-confidence by the opposition parties when the Diet convenes at the end of the month. Tanaka will try to ensure party unity in defense of his administration by making judicious changes of cabinet and party posts in a major shuffle expected in November.

If such tactics fail to quell growing dissidence in the ruling party, Tanaka might be forced to choose between resigning and calling new elections. The prospect of elections in the midst of a serious economic decline worries most ruling party leaders, however, and will act as a brake on intraparty moves to force Tanaka out.

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INDIA

India is not likely to conduct a second nuclear test until next spring, according to Energy Minister Pant. The minister said the next test will be put off until analysis of data from the test of May 18 has been completed.

Although the timing of the next event has been left "entirely" to the scientists, according to Pant, political considerations are likely to have been the determining factor. The chairman of India's Atomic Energy Commission, concerned over Pakistani reaction, announced that there would be no further testing until sometime next spring because of the possibility of prevailing winds carrying radioactive debris over the border.

In a related statement also designed to reassure India's neighbors, the chairman said that while New Dehli has the capability to build a nuclear weapon, it has not embarked on such a program.

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ARGENTINA

Leftist terrorists are stepping up efforts to goad the military into actions that would undermine public support for Mrs. Peron's government.

The Marxist People's Revolutionary Army reportedly is threatening to kill wives and children of army officers. The threats were evidently made primarily to provoke the military into taking more repressive measures. The terrorists have failed to follow through on similar threats in the past. Nevertheless, the leftists continue to make good on their intention to assassinate 16 army officers in reprisal for an equivalent number of guerrillas killed last month. So far, six officers have been killed and five others wounded in separate ambushes.

The continuing high level of violence has provoked threats from the quasi-official, right-wing, antiterrorist squads, after a brief lull on their part. According to press reports, one of these groups, the Argentine Anti-Communist Alliance, has issued a new series of assassination threats against several prominent Argentines who are known for their leftist sympathies.

Although military leaders are frustrated and angry over the terrorist campaign against them, they have not insisted on a greater policy role in internal security matters. If attacks on officers and their families increase, the army will retaliate, but there is no evidence that the high command is increasing its demands on the government.

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ITALY

In the aftermath of Amintore Fanfani's failure last week to revive Italy's center-left coalition, President Leone has turned to another senior Christian Democratic leader--Foreign Minister Aldo Moro--to make the next attempt to form a government.

In contrast to Fanfani, whose support within the Christian Democratic Party comes mainly from the center and right, Moro is the most influential leader of the party's left.

As a negotiator, Moro is less inclined toward the head-on collisions that generally characterize Fanfani's efforts. Moro may thus be better positioned than Fanfani, politically and temperamentally, to work out an agreement with the Socialist Party.

The Christian Democratic leadership has given Moro more room for maneuver than it provided Fanfani. Fanfani was restricted to the formation of a cabinet of Christian Democrats, Socialists, Social Democrats, and Republicans. Moro is instructed only to organize a government "within the framework" of the center-left concept. Under this mandate, Moro could in theory put together anything from a four-party cabinet to an all - Christian Democratic caretaker administration supported in parliament by all or most of the other parties.

Moro is likely to encounter the same difficulties with the Social Democrats as did his predecessor. The Social Democrats precipitated the crisis a month ago with charges that the Socialists were trying to water down the austerity program and establish closer ties between the government and the Communist Party. During Fanfani's negotiations, the Social Democrats, who revived an old feud between themselves and the Socialists over the Socialist policy of joining the Communists in certain local governments, were the least amenable to compromise. [REDACTED]

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SPAIN

The departure of two liberals from the Spanish cabinet yesterday is a setback to Prime Minister Arias' efforts to liberalize the regime and its policies.

The removal of Pio Cabanillas as information minister was reportedly ordered by General Franco, who overruled the objections of most of the cabinet. This action triggered a protest resignation by second deputy prime minister and minister of finance Antonio Berrera de Irimo. Other high-level liberal officials reportedly are considering resigning.

Franco is said to have been under pressure from rightist groups who have been troubled by the unprecedented, though limited, press freedom that Cabanillas permitted. Rightists have been especially concerned over the possible impact of the broad coverage that the Spanish press has given to the downfall of the Caetano regime in Portugal and to the fall last month of rightist president Spínola.

Cabanillas was replaced by Leon Herrera Esteban, until now the under secretary of interior, who is generally viewed as a moderate. Berrera was succeeded by Rafael Cabello de Alba, an automobile industry executive and a member of parliament.

Some restrictions are likely to be imposed on the limited freedom the press now has. The choice of Herrera as information minister, however, indicates these restrictions may not be overly severe. [REDACTED]

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UNITED KINGDOM

Queen Elizabeth's traditional Speech from the Throne, drafted by Prime Minister Wilson's cabinet, offered few surprises and followed closely the Labor Party's election manifesto.

Although legislation promised by the government will provide for increased public control of private industry, the speech was in line with Wilson's efforts to allay fears that his government has plans for sweeping nationalization of business and industry. The government does plan to bring the ailing shipbuilding and aircraft industries under public ownership, but a timetable for nationalization was not provided. In view of Labor's slim parliamentary majority and the tensions between the party's left and right wings, Wilson probably wants to defer action until he can be certain of sufficient support.

The government will establish a National Enterprise Board to inject badly needed capital into business in return for a share in the ownership and a voice in management. In the speech, however, the government emphasized the need to encourage both the private and public sectors of industry, and echoed Wilson's recent assurances that Britain will remain a mixed economy.

The government used the speech to stress the importance of the "social contract," the agreement between the government and the trade unions to place voluntary controls on wage demands. The social contract continues to be the key element in Wilson's program to curb inflation, maintain employment, and keep industry running. Greater elaboration of the program will come on November 12 when Denis Healey, chancellor of the exchequer, presents the new budget.

Wilson's legislative package for the first session includes proposals for increased taxes on wealth, directly elected assemblies in Scotland and Wales, further government regulation of the North Sea oil industry, and a referendum on EC membership.



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SAUDI ARABIA

Saudi Arabia has told other Arab oil states at the Arab summit in Rabat that it wants a "symbolic cut" in world oil prices, according to the most recent press report. The Saudis reportedly assured the other producers that they would accept the decision of the Organization of Petroleum Exporting Countries (OPEC) and would take no unilateral action. This account differs sharply from an earlier press report that said Saudi Arabia would unilaterally lower its prices. Both sources indicated that the cut would be less than 10 percent.

The more recent account seems to be the most plausible. The Saudis for some time have wanted to lower oil prices but have been reluctant to take any action that would jeopardize the unity of OPEC.

Under a complicated formula, posted prices could come down, while royalties and taxes paid by the oil companies to the producers would be increased. Oil-producing revenues per barrel thus could remain at present levels. OPEC members might find some aspects of this idea appealing, but it is doubtful that any action by OPEC will be taken before its next scheduled meeting in December. The Algerians reportedly are already opposing any decrease in prices.

A symbolic price cut would do little to alleviate the financial problems associated with the high price of oil. In addition, any reduction in posted prices would have only a short-term impact, since OPEC probably will soon eliminate posted prices as it moves toward a single pricing system. [REDACTED]

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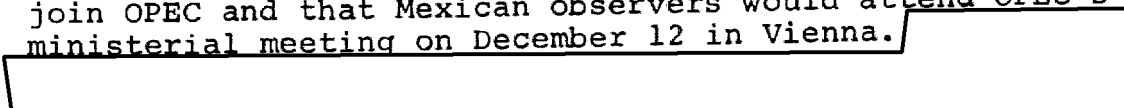
## FOR THE RECORD

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Venezuela-Mexico: Venezuelan President Perez will meet with President Echeverria in Mexico early next year. An agenda has not yet been drawn up for the meeting, but the topics likely to be discussed are Echeverria's proposal for an exclusively Latin American economic organization, Perez' proposal for a meeting of Latin American chiefs of state next year, and petroleum policy. In announcing the trip, Perez noted recent petroleum discoveries in Mexico and said he hoped that Mexico would join OPEC and that Mexican observers would attend OPEC's ministerial meeting on December 12 in Vienna.

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